Table of Contents -- Click here to rapidly navigate through this document

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2023

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 001-38654

QVC, Inc.

(Exact name of Registrant as specified in its charter)

State of Delaware (State or other jurisdiction of incorporation or organization)	**23-2414041** (I.R.S. Employer Identification Number)
1200 Wilson Drive **West Chester, Pennsylvania** (Address of principal executive offices)	**19380** (Zip Code)

Registrant's telephone number, including area code: **(484) 701-1000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
6.375% Senior Secured Notes due 2067	QVCD	New York Stock Exchange
6.250% Senior Secured Notes due 2068	QVCC	New York Stock Exchange

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer o Non-accelerated filer ☒ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No x

None of the voting stock of the registrant is held by a non-affiliate of the registrant. There is no publicly traded market for any class of voting stock of the registrant. There is one holder of record of our equity, Qurate Retail Group, Inc., an indirect wholly-owned subsidiary of Qurate Retail, Inc.

QVC, Inc.
2023 QUARTERLY REPORT ON FORM 10-Q

Table of Contents

Item 1. Financial Statements

QVC, Inc.

Condensed Consolidated Balance Sheets

(unaudited)

(in millions, except share amounts)		June 30, 2023	December 31, 2022
Assets			
Current assets:			
Cash and cash equivalents	$	649	357
Restricted cash		9	10
Accounts receivable, less allowance for credit losses of $91 at June 30, 2023 and $102 at December 31, 2022		919	1,362
Inventories		933	1,035
Prepaid expenses and other current assets		136	144
Total current assets		2,646	2,908
Property and equipment, net of accumulated depreciation of $965 at June 30, 2023 and $929 at December 31, 2022		439	472
Operating lease right-of-use assets (note 5)		475	419
Television distribution rights, net (note 2)		129	72
Goodwill (note 3)		3,469	3,470
Other intangible assets, net (note 3)		3,146	3,184
Note receivable - related party (note 1)		1,740	1,740
Other noncurrent assets		57	68
Assets held for sale noncurrent (note 5)		—	71
Total assets	$	12,101	12,404
Liabilities and equity			
Current liabilities:			
Current portion of debt and finance lease obligations (note 4)	$	424	216
Accounts payable-trade		623	832
Accrued liabilities		762	911
Other current liabilities		49	57
Total current liabilities		1,858	2,016
Long-term portion of debt and finance lease obligations (note 4)		4,482	4,721
Deferred income taxes (note 6)		619	577
Long-term operating lease liabilities		441	377
Other long-term liabilities		84	141
Total liabilities		7,484	7,832
Commitments and contingencies (note 7)			
Equity:			
QVC, Inc. stockholder's equity:			
Common stock, $0.01 par value, 1 authorized share		—	—
Additional paid-in capital		10,886	10,869
Accumulated deficit		(6,050)	(6,080)
Accumulated other comprehensive loss		(308)	(312)
Total QVC, Inc. stockholder's equity		4,528	4,477
Noncontrolling interest		89	95
Total equity		4,617	4,572
Total liabilities and equity	$	12,101	12,404

QVC, Inc.

Condensed Consolidated Statements of Operations

(unaudited)

(in millions)		Three months ended June 30, 2023	2022	Six months ended June 30, 2023	2022
Net revenue	$	2,224	2,392	4,417	4,746
Operating costs and expenses:					
Cost of goods sold (exclusive of depreciation and amortization shown separately below)		1,456	1,608	2,944	3,249
Operating		177	179	355	357
Selling, general and administrative, including stock-based compensation		340	303	665	597
Depreciation		22	32	45	67
Amortization		72	70	138	144
Restructuring and fire related costs, net of (recoveries) (note 10)		(211)	1	(215)	3
Gains on sale of intangible asset and sale leaseback transactions		(6)	(243)	(119)	(243)
		1,850	1,950	3,813	4,174
Operating income		374	442	604	572
Other (expense) income:					
(Losses) gains on financial instruments		—	—	(1)	1
Interest expense, net		(67)	(63)	(104)	(125)
Foreign currency (loss) gain		(3)	21	(9)	29
Gain (loss) on extinguishment of debt		10	(6)	10	(6)
Other income		—	—	—	20
		(60)	(48)	(104)	(81)
Income before income taxes		314	394	500	491
Income tax expense		(88)	(109)	(139)	(150)
Net income		226	285	361	341
Less net income attributable to the noncontrolling interest		(13)	(15)	(26)	(29)
Net income attributable to QVC, Inc. stockholder	$	213	270	335	312

QVC, Inc.

Condensed Consolidated Statements of Comprehensive Income

(unaudited)

		Three months ended June 30,		Six months ended June 30,	
(in millions)		**2023**	**2022**	**2023**	**2022**
Net income	$	226	285	361	341
Foreign currency translation adjustments, net of tax		(24)	(143)	(4)	(203)
Total comprehensive income		202	142	357	138
Comprehensive income attributable to noncontrolling interest		(6)	(2)	(18)	(10)
Comprehensive income attributable to QVC, Inc. stockholder	$	196	140	339	128

QVC, Inc.

Condensed Consolidated Statements of Cash Flows

(unaudited)

	Six months ended June 30,	
(in millions)	**2023**	**2022**
Operating activities:		
Net income	$ 361	341
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	53	(14)
Foreign currency loss (gain)	9	(29)
Depreciation	45	67
Amortization	138	144
Change in fair value of financial instruments and noncash interest	1	(1)
Other charges, net	(7)	6
(Gain) loss on extinguishment of debt	(10)	6
Stock-based compensation	20	18
Gains on sale of intangible asset and leaseback transactions	(119)	(243)
Gain on insurance proceeds, net of fire related costs	(228)	—
Insurance proceeds received for operating expenses and business interruption losses	226	30
Change in operating assets and liabilities		
Decrease in accounts receivable	400	416
Decrease (increase) in inventories	108	(81)
Decrease in prepaid expenses and other current assets	13	9
Decrease in accounts payable-trade	(213)	(331)
Decrease in accrued liabilities and other	(206)	(294)
Net cash provided by operating activities	591	44
Investing activities:		
Capital expenditures	(79)	(81)
Expenditures for television distribution rights	(107)	(15)
Insurance proceeds received for fixed asset loss	54	70
Proceeds from derivative instruments	167	—
Payments for derivative instruments	(179)	—
Changes in other noncurrent assets	(1)	(4)
Proceeds from sale of fixed assets	200	256
Other investing activities	—	20
Net cash provided by investing activities	55	246
Financing activities:		
Principal payments of debt and finance lease obligations	(515)	(876)
Principal borrowings of debt from senior secured credit facility	887	1,223
Principal repayment of senior secured notes	(396)	(536)
Payment of premium on redemption of senior secured notes	—	(6)
Dividends paid to Qurate Retail, Inc.	(300)	(121)
Dividends paid to noncontrolling interest	(24)	(27)
Withholding taxes on net share settlements of stock-based compensation	—	(5)
Net cash used in financing activities	(348)	(348)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(7)	(39)
Net increase (decrease) in cash, cash equivalents and restricted cash	291	(97)
Cash, cash equivalents and restricted cash, beginning of period	367	519
Cash, cash equivalents and restricted cash, end of period	$ 658	422

QVC, Inc.

Condensed Consolidated Statements of Equity

(unaudited)

(in millions, except share data)	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Noncontrolling interest	Total equity
	Shares	Amount					
Balance, December 31, 2021	1 $	—	10,687	(2,942)	(146)	122	7,721
Net income	—	—	—	312	—	29	341
Foreign currency translation adjustments, net of tax	—	—	—	—	(184)	(19)	(203)
Dividends paid to Qurate Retail, Inc. and noncontrolling interest	—	—	—	(121)	—	(27)	(148)
Impact of tax liability allocation and indemnification agreement with Qurate Retail, Inc.	—	—	4	—	—	—	4
Withholding taxes on net share settlements of stock-based compensation	—	—	(5)	—	—	—	(5)
Stock-based compensation	—	—	18	—	—	—	18
Common control transaction with Qurate Retail, Inc.	—	—	(76)	—	—	—	(76)
Balance, June 30, 2022	1 $	—	10,628	(2,751)	(330)	105	7,652

(in millions, except share data)	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Noncontrolling interest	Total equity
	Shares	Amount					
Balance, March 31, 2022	1 $	—	10,643	(3,012)	(200)	116	7,547
Net income	—	—	—	270	—	15	285
Foreign currency translation adjustments, net of tax	—	—	—	—	(130)	(13)	(143)
Dividends paid to Qurate Retail, Inc. and noncontrolling interest	—	—	—	(9)	—	(13)	(22)
Impact of tax liability allocation and indemnification agreement with Qurate Retail, Inc.	—	—	2	—	—	—	2
Stock-based compensation	—	—	10	—	—	—	10
Common control transaction with Qurate Retail, Inc.	—	—	(27)	—	—	—	(27)
Balance, June 30, 2022	1 $	—	10,628	(2,751)	(330)	105	7,652

QVC, Inc.

Condensed Consolidated Statements of Equity

(unaudited)

(in millions, except share data)	Common stock Shares	Common stock Amount	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Noncontrolling interest	Total equity
Balance, December 31, 2022	1	$ —	10,869	(6,080)	(312)	95	4,572
Net income	—	—	—	335	—	26	361
Foreign currency translation adjustments, net of tax	—	—	—	—	4	(8)	(4)
Dividends paid to Qurate Retail, Inc. and noncontrolling interest	—	—	—	(300)	—	(24)	(324)
Impact of tax liability allocation and indemnification agreement with Qurate Retail, Inc.	—	—	—	(5)	—	—	(5)
Stock-based compensation	—	—	17	—	—	—	17
Balance, June 30, 2023	1	$ —	10,886	(6,050)	(308)	89	4,617

(in millions, except share data)	Common stock Shares	Common stock Amount	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Noncontrolling interest	Total equity
Balance, March 31, 2023	1	$ —	10,821	(6,161)	(291)	95	4,464
Net income	—	—	—	213	—	13	226
Foreign currency translation adjustments, net of tax	—	—	—	—	(17)	(7)	(24)
Dividends paid to Qurate Retail, Inc. and noncontrolling interest	—	—	—	(101)	—	(12)	(113)
Impact of tax liability allocation and indemnification agreement with Qurate Retail, Inc.	—	—	—	(1)	—	—	(1)
Stock-based compensation	—	—	8	—	—	—	8
Common control transaction with Qurate Retail, Inc.	—	—	57	—	—	—	57
Balance, June 30, 2023	1	$ —	10,886	(6,050)	(308)	89	4,617

QVC, Inc.

Notes to Condensed Consolidated Financial Statements

(unaudited)

(1) Basis of Presentation

QVC, Inc. and its consolidated subsidiaries (unless otherwise indicated or required by the context, the terms "we," "our," "us," the "Company" and "QVC" refer to QVC, Inc. and its consolidated subsidiaries) is a retailer of a wide range of consumer products, which are marketed and sold primarily by merchandise-focused televised shopping programs, the Internet and mobile applications.

In the United States ("U.S."), QVC's televised shopping programs, including live and recorded content, are distributed across multiple channels nationally on a full-time basis, including QVC, QVC2, QVC3, HSN and HSN2. The Company's U.S. programming is also available on QVC.com and HSN.com, which we refer to as our "U.S. websites"; virtual multichannel video programming distributors (including Hulu + Live TV, DirecTV Stream, and YouTube TV); applications via streaming video; Facebook Live, Roku, Apple TV, Amazon Fire, Xfinity Flex and Samsung TV Plus; mobile applications; social media pages and over-the-air broadcasters.

QVC's digital platforms enable consumers to purchase goods offered on our televised programming, along with a wide assortment of products that are available only on our U.S. websites and our other digital platforms (including our mobile applications, social media pages and others) are natural extensions of our business model, allowing customers to engage in our shopping experience wherever they are, with live or on-demand content customized to the device they are using. In addition to offering video content, our U.S. websites allow shoppers to browse, research, compare and perform targeted searches for products, read customer reviews, control the order-entry process and conveniently access their account.

Internationally, QVC's televised shopping programs, including live and recorded content, are distributed to households outside of the U.S., primarily in Germany, Austria, Japan, the United Kingdom ("U.K."), the Republic of Ireland and Italy. In some of the countries where QVC operates, QVC's televised shopping programs are distributed across multiple QVC channels: QVC Style and QVC2 in Germany and QVC Beauty, QVC Extra and QVC Style in the U.K. Similar to the U.S., our international businesses also engage customers via websites, mobile applications, and social media pages. QVC's international business employs product sourcing teams who select products tailored to the interests of each local market.

The Company's Japanese operations ("QVC-Japan") are conducted through a joint venture with Mitsui & Co., LTD ("Mitsui"). QVC-Japan is owned 60% by the Company and 40% by Mitsui. The Company and Mitsui share in all profits and losses based on their respective ownership interests. During the six months ended June 30, 2023 and 2022, QVC-Japan paid dividends to Mitsui of $24 million and $27 million, respectively.

The Company is an indirect wholly-owned subsidiary of Qurate Retail, Inc. ("Qurate Retail") (Nasdaq: QRTEA, QRTEB and QRTEP), which owns Cornerstone Brands, Inc. ("CBI"), as well as other minority investments. QVC is part of the Qurate Retail Group ("QRG"), a portfolio of brands including QVC and CBI. Zulily, LLC (“Zulily”) was a wholly owned subsidiary of Qurate Retail until its divestiture on May 24, 2023.

During each of the six months ended June 30, 2023 and 2022, QVC and Zulily engaged in multiple transactions relating to sales, sourcing of merchandise, marketing initiatives and business advisory services. Prior to Qurate Retail's divestiture of Zulily, QVC allocated expenses of $3 million and $4 million to Zulily for the six months ended June 30, 2023 and 2022, respectively. Zulily allocated expenses of $2 million and $5 million to QVC for the six months ended June 30, 2023 and 2022, respectively.

In September 2020, QVC and Zulily executed a Master Promissory Note ("Promissory Note") whereby Zulily could borrow up to $100 million at a variable interest rate equal to the LIBOR rate plus an applicable margin rate. In connection with the Qurate Retail's divestiture of Zulily, the Promissory Note was terminated in May 2023. There were no borrowings on the Promissory Note as of December 31, 2022.

During each of the six months ended June 30, 2023 and 2022, QVC and CBI engaged in multiple transactions relating to personnel and business advisory services. QVC allocated expenses of $13 million to CBI for each of the six months ended June 30, 2023 and 2022. CBI allocated expenses of $1 million to QVC for each of the six months ended June 30, 2023 and 2022.

On December 30, 2020, the Company and Liberty Interactive LLC ("LIC") completed an internal realignment of the Company's global finance structure that resulted in a common control transaction with Qurate Retail. As part of the common control transaction, LIC issued a promissory note (“LIC Note”) to a subsidiary of the Company with an initial face amount of

$1.8 billion, a stated interest rate of 0.48% and a maturity of December 29, 2029. Interest on the LIC Note is paid annually. QVC recorded $4 million of related party interest income for each of the six months ended June 30, 2023 and 2022, included in interest expense, net in the consolidated statement of operations.

On June 27, 2022, Qurate Retail announced a five-point turnaround plan designed to stabilize and differentiate its core QxH and QVC-International businesses and expand the Company's leadership in video streaming commerce (“Project Athens”). Project Athens main initiatives include: (i) improve customer experience and grow relationships; (ii) rigorously execute core processes; (iii) lower cost to serve; (iv) optimize the brand portfolio; and (v) build new high growth businesses anchored in strength.

During 2022 QVC commenced the first phase of Project Athens including actions to reduce inventory and a planned workforce reduction. These initiatives are consistent with QVC’s strategy to operate more efficiently as it implements its turnaround plan. During the six months ended June 30, 2023, QVC implemented a workforce reduction and recorded restructuring charges of $13 million, in Restructuring and fire related costs, net of (recoveries) in the condensed consolidated statement of operations.

The condensed consolidated financial statements include the accounts of QVC, Inc. and its majority-owned subsidiaries. All significant intercompany accounts and transactions were eliminated in consolidation.

The accompanying (a) condensed consolidated balance sheet as of December 31, 2022, which has been derived from audited financial statements, and (b) the interim unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results for such periods have been included. The results of operations for any interim period are not necessarily indicative of results for the full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in QVC's Annual Report on Form 10-K for the year ended December 31, 2022. Certain prior period balances were reclassified to conform to the current year's presentation.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates include, but are not limited to, sales returns, uncollectible receivables, inventory obsolescence, internally-developed software, valuation of acquired intangible assets and goodwill and income taxes.

(2) Television Distribution Rights, Net

Television distribution rights consisted of the following:

(in millions)		June 30, 2023	December 31, 2022
Television distribution rights	$	607	664
Less accumulated amortization		(478)	(592)
Television distribution rights, net	$	129	72

The Company recorded amortization expense of $26 million and $28 million for the three months ended June 30, 2023 and 2022, respectively, related to television distribution rights. For the six months ended June 30, 2023 and 2022, amortization expense for television distribution rights was $50 million and $59 million, respectively.

As of June 30, 2023, related amortization expense for each of the next five years ended December 31 was as follows (in millions):

Remainder of 2023	$ 50
2024	72
2025	7
2026	—
2027	—

(3) Goodwill and Other Intangible Assets, Net

The changes in the carrying amount of goodwill by operating segment for the six months ended June 30, 2023 were as follows:

(in millions)	QxH	QVC-International	Total
Balance as of December 31, 2022	$ 2,692	778	3,470
Exchange rate fluctuations	—	(1)	(1)
Balance as of June 30, 2023	$ 2,692	777	3,469

Other intangible assets consisted of the following:

	June 30, 2023			December 31, 2022		
(in millions)	Gross cost	Accumulated amortization	Other intangible assets, net	Gross cost	Accumulated amortization	Other intangible assets, net
Purchased and internally developed software	$ 1,015	(736)	279	962	(670)	292
Affiliate and customer relationships	2,823	(2,659)	164	2,818	(2,630)	188
Debt origination fees	9	(4)	5	9	(3)	6
Trademarks (indefinite life)	2,698	—	2,698	2,698	—	2,698
	$ 6,545	(3,399)	3,146	6,487	(3,303)	3,184

The Company recorded amortization expense of $46 million and $42 million for the three months ended June 30, 2023 and 2022, respectively, related to other intangible assets. For the six months ended June 30, 2023 and 2022, amortization expense for other intangible assets was $88 million and $85 million, respectively.

As of June 30, 2023, the related amortization and interest expense for each of the next five years ended December 31 was as follows (in millions):

Remainder of 2023	$ 106
2024	168
2025	109
2026	65
2027	—

QVC's results have been challenged as a result of current business trends and global economic conditions. The Company will continue to monitor its current business performance versus the current and updated long-term forecasts, among other relevant considerations, to determine if the carrying value of its assets (including Goodwill and Trademarks) are appropriate. Future outlook declines in revenue, cash flows, or other factors could result in a sustained decrease in fair value that may result in a determination that material carrying value adjustments are required.

(4) Long-Term Debt and Finance Lease Obligations

Long-term debt and finance lease obligations consisted of the following:

(in millions)	June 30, 2023	December 31, 2022
4.375% Senior Secured Notes due 2023, net of original issue discount	$ —	214
4.85% Senior Secured Notes due 2024, net of original issue discount	423	600
4.45% Senior Secured Notes due 2025, net of original issue discount	585	599
4.75% Senior Secured Notes due 2027	575	575
4.375% Senior Secured Notes due 2028	500	500
5.45% Senior Secured Notes due 2034, net of original issue discount	399	399
5.95% Senior Secured Notes due 2043, net of original issue discount	300	300
6.375% Senior Secured Notes due 2067	225	225
6.25% Senior Secured Notes due 2068	500	500
Senior secured credit facility	1,430	1,057
Finance lease obligations	3	4
Less debt issuance costs, net	(34)	(36)
Total debt and finance lease obligations	4,906	4,937
Less current portion	(424)	(216)
Long-term portion of debt and finance lease obligations	$ 4,482	4,721

Senior Secured Notes

All of QVC's senior secured notes are secured by the capital stock of QVC and have equal priority to the senior secured credit facility. The interest on QVC's senior secured notes is payable semi-annually with the exception of the 6.375% Senior Secured Notes due 2067 (the "2067 Notes") and the 6.25% Senior Secured Notes due 2068 (the "2068 Notes"), which is payable quarterly. The remaining outstanding 4.375% Senior Secured Notes due 2023 were repaid at maturity in March 2023.

During the second quarter of 2023, QVC purchased $177 million of the outstanding 4.85% Senior Secured Notes due 2024 (the "2024 Notes") and $15 million of the outstanding 4.45% Senior Secured Notes due 2025. As a result of the repurchases, the Company recorded a gain on extinguishment of debt in the condensed consolidated statements of operations of $10 million for the three and six months ended June 30, 2023. As of June 30, 2023, the remaining outstanding 2024 Notes are classified within the current portion of long term debt as they mature in less than one year.

Senior Secured Credit Facility

On October 27, 2021, QVC entered into the Fifth Amended and Restated Credit Agreement with Zulily, CBI, and QVC Global, each a direct or indirect wholly owned subsidiary of Qurate Retail, as borrowers (collectively, the “Borrowers”). The Fifth Amended and Restated Credit Agreement is a multi-currency facility providing for a $3.25 billion revolving credit facility, with a $450 million sub-limit for letters of credit and an alternative currency revolving sub-limit equal to 50% of the revolving commitments thereunder. The Fifth Amended and Restated Credit Agreement may be borrowed by any Borrower, with each Borrower jointly and severally liable for the outstanding borrowings. Borrowings bear interest at either the alternate base rate (“ABR Rate”) or a LIBOR-based rate (or the applicable non-U.S. Dollar equivalent rate) (“Term Benchmark/RFR Rate”) at the applicable Borrower’s election in each case plus a margin. Borrowings that are ABR Rate loans will bear interest at a per annum rate equal to the base rate plus a margin that varies between 0.25% and 0.625% depending on the Borrowers’ combined ratio of consolidated total debt to consolidated EBITDA (the “consolidated leverage ratio”). Borrowings that are Term Benchmark/RFR Rate loans will bear interest at a per annum rate equal to the applicable rate plus a margin that varies between 1.25% and 1.625% depending on the Borrowers’ consolidated leverage ratio. Each loan may be prepaid at any time and from time to time without penalty other than customary breakage costs. No mandatory prepayments will be required other than when borrowings and letter of credit usage exceed availability; provided that, if Zulily, CBI, QVC Global or any other borrower (other than QVC) is removed, at the election of QVC, as a borrower thereunder, all of its loans must be repaid and its letters of credit are terminated or cash collateralized. Any amounts prepaid may be reborrowed. The facility matures on October 27, 2026. Payment of loans may be accelerated following certain customary events of default. In connection with Qurate Retail's divestiture of Zulily (see note 1), Zulily is no longer a co-borrower in the Credit Facility, and Zulily repaid its outstanding borrowings under the Fifth Amended and Restated Credit Agreement using cash contributed from Qurate Retail.

On June 20, 2023, QVC, QVC Global and CBI, as borrowers, JPMorgan Chase Bank, N.A., as administrative agent, and the other parties thereto entered into a SOFR Transition and Other Agreements agreement whereby, in accordance with the Fifth Amended and Restated Credit Agreement, LIBOR-based rate loans denominated in US dollars made on or after June 30, 2023 would be replaced with Secured Overnight Financing Rate ("SOFR")-based rate loans. Borrowings that are SOFR-based loans will bear interest at a per annum rate equal to the applicable SOFR rate, plus a credit spread adjustment, plus a margin that varies between 1.25% and 1.625% depending on the Borrowers’ consolidated leverage ratio.

In accordance with the accounting guidance for obligations resulting from joint and several liability arrangements, QVC will record a liability for amounts it has borrowed under the senior secured credit facility plus any additional amount it expects to repay on behalf of CBI. There were no borrowings by CBI outstanding on the Fifth Amended and Restated Credit Agreement as of June 30, 2023. As of December 31, 2022, there was $18 million borrowed by CBI on the senior secured credit facility, none of which the Company expected to repay on behalf of CBI.

Prior to the removal of Zulily as a co-borrower, QVC recorded a liability for amounts it expected to repay on behalf of Zulily as part of a common control transaction with Qurate Retail. Upon repayment of Zulily's outstanding borrowings, QVC removed a $57 million liability for Zulily's borrowings during the three months ended June 30, 2023, which was treated as additional paid in capital in the consolidated statements of equity. There were no borrowings by Zulily outstanding on the Fifth Amended and Restated Credit Agreement as of December 31, 2022.

Availability under the Fifth Amended and Restated Credit Agreement at June 30, 2023 was $1.76 billion. The interest rate on the senior secured credit facility was 6.6% and 3.0% at June 30, 2023 and 2022, respectively.

The payment and performance of the Borrowers’ obligations under the Fifth Amended and Restated Credit Agreement are guaranteed by each of QVC’s, QVC Global’s and CBI’s Material Domestic Subsidiaries (as defined in the Fifth Amended and Restated Credit Agreement), if any, and certain other subsidiaries of any Borrower that such Borrower has chosen to provide guarantees. Further, the borrowings under the Fifth Amended and Restated Credit Agreement are secured, pari passu with QVC’s existing notes, by a pledge of all of QVC’s equity interests. The borrowings under the Fifth Amended and Restated Credit Agreement are also secured by a pledge of all of CBI’s equity interests.

The Fifth Amended and Restated Credit Agreement contains certain affirmative and negative covenants, including certain restrictions on the Borrowers and each of their respective restricted subsidiaries (subject to certain exceptions) with respect to, among other things: incurring additional indebtedness; creating liens on property or assets; making certain loans or investments; selling or disposing of assets; paying certain dividends and other restricted payments; dissolving, consolidating or merging; entering into certain transactions with affiliates; entering into sale or leaseback transactions; restricting subsidiary distributions; and limiting the Borrowers’ consolidated leverage ratio.

Other Debt Related Information

QVC was in compliance with all of its debt covenants as of June 30, 2023.

There are no restrictions under the debt agreements on QVC's ability to pay dividends or make other restricted payments if QVC is not in default on its senior secured notes or the Fifth Amended and Restated Credit Agreement and (i) with respect to QVC's senior secured notes, QVC's consolidated leverage ratio would be no greater than 3.5 to 1.0 ("senior secured notes leverage basket") and (ii) with respect to the Fifth Amended and Restated Credit Agreement, the consolidated net leverage ratio for QVC, QVC Global and CBI, would be no greater than 4.0 to 1.0. As of June 30, 2023, QVC's consolidated leverage ratio (as calculated under QVC's senior secured notes) was greater than 3.5 to 1.0 and as a result QVC is restricted in its ability to make dividends or other restricted payments under the senior secured notes. Although QVC will not be able to make unlimited dividends or other restricted payments under the senior secured notes leverage basket, QVC will continue to be permitted to make unlimited dividends under the senior secured notes to parent entities of QVC to service the principal and interest when due in respect of indebtedness of such parent entities (so long as there is no default under the indentures governing QVC's senior secured notes) and permitted to make certain restricted payments to Qurate Retail under an intercompany tax sharing agreement (the "Tax Agreement") in respect of certain tax obligations of QVC and its subsidiaries.

The weighted average interest rate applicable to all of the outstanding debt (excluding finance leases) prior to amortization of bond discounts and related debt issuance costs was 5.6% and 4.7% and as of June 30, 2023 and 2022, respectively.

(5) Leases

Sale-Leaseback Transactions

In November 2022, QVC-International entered into agreements to sell two properties located in Germany and the U.K. to an independent third party. Under the terms of the agreements, QVC received net cash proceeds of $102 million related to its German facility and $80 million related to its U.K. facility when the sale closed in January 2023. Concurrent with the sale, the Company entered into agreements to lease each of the properties back from the purchaser over an initial term of 20 years with the option to extend the terms of the property leases for up to four consecutive terms of five years. QVC recognized a $69 million and $44 million gain related to the successful sale leaseback of the German and U.K. properties, respectively, during the first quarter of 2023 calculated as the difference between the aggregate consideration received and the carrying value of the properties. The Company accounted for the leases as operating leases and recorded a $42 million and $32 million right-of-use asset and operating lease liability for the German and U.K. properties, respectively.

As of December 31, 2022, assets of $71 million primarily related to the Germany and U.K. properties were classified as held for sale and included in Assets held for sale noncurrent in the consolidated balance sheet, as the proceeds from the sale were used to repay a portion of QVC's senior secured credit facility borrowings which were classified as noncurrent as of December 31, 2022. QVC classifies obligations as current when they are contractually required to be satisfied in the next twelve months.

In June 2022, QVC modified the finance lease for its distribution center in Ontario, California which reduced the term of the lease and removed QVC's ability to take ownership of the distribution center at the end of the lease term. QVC will make annual payments over the modified lease term. Since the lease was modified and removed QVC's ability to take ownership at the end of the lease term, the Company accounted for the modification similar to a sale and leaseback transaction and, as a result, recognized a $240 million gain on the sale of the distribution center during the second quarter of 2022, calculated as the difference between the aggregate consideration received (including cash of $250 million and forgiveness of the remaining financing obligation of $84 million) and the carrying value of the distribution center. The gain is included in gains on sale of intangible asset and sale leaseback transactions in the consolidated statement of operations. The Company accounted for the modified lease as an operating lease and recorded a $37 million right-of-use asset and a $31 million operating lease liability, with the difference attributable to prepaid rent.

(6) Income Taxes

The Company calculates its interim income tax provision by applying its best estimate of the annual expected effective tax rate to its ordinary year-to-date income or loss. The tax or benefit related to significant, unusual or extraordinary items that will be separately reported or reported net of their related tax effect are individually computed and recognized in the interim period in which those items occur.

The computation of the annual estimated effective tax rate at each interim period requires certain estimates and significant judgment including, but not limited to, the expected operating income for the year, projections of the proportion of income earned and taxed in foreign jurisdictions, permanent and temporary differences as a result of differences between amounts measured and recognized in accordance with tax laws and financial accounting standards, and the likelihood of recovering deferred tax assets. The accounting estimates used to compute the provision for income taxes may change as new events occur, additional information is obtained or as the tax environment changes. To the extent that the estimated annual effective tax rate changes during a quarter, the effect of the change on the prior quarters is included in the tax expense for the current quarter.

For the three months ended June 30, 2023 and 2022, the Company recorded a tax provision of $88 million and $109 million, respectively, which represented an effective tax rate of 28.0% and 27.7%, respectively. For the six months ended June 30, 2023 and 2022, the Company recorded a tax provision of $139 million and $150 million, respectively, which represented an effective tax rate of 27.8% and 30.5%, respectively. The 2023 rate differs from the U.S. federal income tax rate of 21% primarily due to state and foreign tax expense and permanent items. The 2023 effective tax rate has decreased from the prior year for the six months ended June 30, 2023 primarily due to the reversal of tax expense accrued in prior periods related to the settlement of state income tax reserves.

The Company participates in a consolidated federal return filing with Qurate Retail. As of June 30, 2023, the Company's tax years through 2017 are closed for federal income tax purposes, and the Internal Revenue Service ("IRS") has completed its examination of the Company's tax years through 2021. The Company's 2022 and 2023 tax years are being examined currently as part of the Qurate Retail consolidated return under the IRS's Compliance Assurance Process program. The Company, or one of its subsidiaries, files income tax returns in various states and foreign jurisdictions. As of June 30, 2023, the Company was under examination in Colorado, Florida, Minnesota, New Jersey, Pennsylvania, New York City, South Carolina, Wisconsin, Germany and the U.K.

The Company is a party to the Tax Agreement with Qurate Retail. The Tax Agreement establishes the methodology for the calculation and payment of income taxes in connection with the consolidation of the Company with Qurate Retail for income tax purposes. Generally, the Tax Agreement provides that the Company will pay Qurate Retail an amount equal to the tax liability, if any, that it would have if it were to file as a consolidated group separate and apart from Qurate Retail, with exceptions for the treatment and timing of certain items, including but not limited to deferred intercompany transactions, credits, and net operating and capital losses. To the extent that the separate company tax expense is different from the payment terms of the Tax Agreement, the difference is recorded as either a dividend or capital contribution.

The amounts of the tax-related payable due to Qurate Retail as of June 30, 2023 and December 31, 2022 were $10 million and $23 million, respectively, and were included in accrued liabilities in the accompanying condensed consolidated balance sheets.

(7) Commitments and Contingencies

The Company has contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. Although it is reasonably possible the Company may incur losses upon conclusion of such matters, an estimate of any loss or range of loss cannot be made. In the opinion of management, it is expected that the amounts, if any, which may be required to satisfy such contingencies will not be material in relation to the accompanying condensed consolidated financial statements.

Network and information systems, including the Internet and telecommunication systems, third party delivery services and other technologies are critical to QVC's business activities. Substantially all of QVC's customer orders, fulfillment and delivery services are dependent upon the use of network and information systems, including the use of third party telecommunication and delivery service providers. If information systems including the Internet or telecommunication services are disrupted, or if the third party delivery services experience a disruption in their transportation delivery services, the Company could face a significant disruption in fulfilling QVC's customer orders and shipment of QVC's products. The Company has active disaster recovery programs in place to help mitigate risks associated with these critical business activities.

(8) Financial Instruments and Fair Value Measurements

For assets and liabilities required to be reported or disclosed at fair value, U.S. GAAP provides a hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs, other than quoted market prices included within Level 1, are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

The Company measures the fair value of money market funds based on quoted prices in active markets for identical assets. Money market funds are included as cash equivalents Level 1 fair value instruments in the table below. The 2067 Notes (ticker: QVCD) and the 2068 Notes (ticker: QVCC) are traded on the New York Stock Exchange, which the Company considers to be an "active market," as defined by U.S. GAAP. Therefore, these Notes are measured based on quoted prices in an active market and included as Level 1 fair value instruments in the table below. The remainder of the Company's debt instruments and derivative instruments are considered Level 2 fair value instruments and measured based on quoted market prices that are not considered to be traded on "active markets." Accordingly, these financial instruments are reported in the below tables as Level 2 fair value instruments.

The Company's assets and liabilities measured or disclosed at fair value were as follows:

		Fair value measurements at June 30, 2023 using		
(in millions)	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Current assets:				
Cash equivalents	$ 144	144	—	—
Current liabilities:				
Debt (note 4)	414	—	414	—
Long-term liabilities:				
Debt (note 4)	3,251	306	2,945	—

		Fair value measurements at December 31, 2022 using		
(in millions)	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Current assets:				
Cash equivalents	$ 64	64	—	—
Current liabilities:				
Debt (note 4)	213	—	213	—
Foreign currency forwards	10	—	10	—
Long-term liabilities:				
Debt (note 4)	3,520	346	3,174	—

Interest Rate Swap Arrangement

In July 2019, the Company entered into a three-year interest swap arrangement with a notional amount of $125 million to mitigate the interest rate risk associated with interest payments related to its variable rate debt. The swap arrangement did not qualify as a cash flow hedge under U.S. GAAP. Changes in the fair value of the swap arrangement are reflected in (losses) gains on financial instruments in the consolidated statements of operations. The swap arrangement expired in July 2022.

Foreign Currency Forward Contracts

On October 31, 2022, the Company entered into foreign currency forward contracts with an aggregate notional amount of $167 million to mitigate the foreign currency risk associated with the sale and leaseback of Germany and U.K. properties. The forwards did not qualify as a cash flow hedge under U.S. GAAP. Changes in the fair value of the forwards are reflected in (losses) gains on financial instruments in the consolidated statements of operations. The forwards were in a net liability position of $10 million as of December 31, 2022, which was included in accrued liabilities. The contract expired in January 2023 which resulted in a net cash settlement of $12 million.

(9) Information about QVC's Operating Segments

The Company's chief operating decision maker ("CODM") is the Company's Chief Executive Officer who has ultimate responsibility for enterprise decisions. QVC's CODM determines, in particular, resource allocation for, and monitors performance of, the consolidated enterprise, QxH, and QVC-International. The segment managers have responsibility for operating decisions, allocating resources and assessing performance within their respective segments. QVC's CODM relies on internal management reporting that analyzes enterprise results and segment results to the Adjusted OIBDA level (see below).

For the three and six months ended June 30, 2023 and 2022, QVC identified QxH and QVC-International as its two reportable segments. Both operating segments are retailers of a wide range of consumer products, which are marketed and sold primarily by merchandise-focused televised-shopping programs as well as via the Internet and mobile applications in certain markets.

Performance measures

The Company evaluates performance and makes decisions about allocating resources to its operating segments based on financial measures such as net revenue, Adjusted OIBDA (defined below), gross margin, average sales price per unit, number of units shipped and revenue or sales per customer. For segment reporting purposes, the Company defines Adjusted OIBDA, as net revenue less cost of goods sold (excluding fire related costs, net of recoveries and Rocky Mount inventory losses, see note 10), operating expenses, and selling, general and administrative expenses (excluding stock-based compensation and restructuring costs). The Company believes this measure is an important indicator of the operational strength and performance of its segments by identifying those items that are not directly a reflection of each segment's performance or indicative of ongoing business trends. In addition, this measure allows management to view operating results and perform analytical comparisons and benchmarking among the Company's businesses and identify strategies to improve performance. This measure of performance excludes depreciation, amortization, impairment losses, gains on sale of intangible asset and sale leaseback transactions, restructuring and fire related costs, net of recoveries, Rocky Mount inventory losses and stock-based compensation that are included in the measurement of operating income pursuant to U.S. GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with U.S. GAAP.

Disaggregated revenue by segment and product category consisted of the following:

	Three months ended June 30, 2023			Six months ended June 30, 2023		
(in millions)	**QxH**	**QVC-International**	**Total**	**QxH**	**QVC-International**	**Total**
Home	$ 602	244	846	1,237	481	1,718
Apparel	340	111	451	635	224	859
Beauty	264	143	407	510	276	786
Accessories	223	56	279	415	107	522
Electronics	82	15	97	192	32	224
Jewelry	65	35	100	142	74	216
Other revenue	42	2	44	88	4	92
Total net revenue	$ 1,618	606	2,224	3,219	1,198	4,417

	Three months ended June 30, 2022			Six months ended June 30, 2022		
(in millions)	**QxH**	**QVC-International**	**Total**	**QxH**	**QVC-International**	**Total**
Home	$ 680	248	928	1,329	521	1,850
Apparel	356	117	473	652	234	886
Beauty	253	145	398	514	290	804
Accessories	241	58	299	443	113	556
Electronics	112	25	137	259	51	310
Jewelry	71	42	113	158	94	252
Other revenue	41	3	44	83	5	88
Total net revenue	$ 1,754	638	2,392	3,438	1,308	4,746

Adjusted OIBDA is summarized as follows:

		Three months ended June 30,				Six months ended June 30,			
		2023		2022		2023		2022	
(in millions)		Net revenue	Adjusted OIBDA	Net revenue	Adjusted OIBDA	Net revenue	Adjusted OIBDA	Net revenue	Adjusted OIBDA
QxH	$	1,618	185	1,754	232	3,219	324	3,438	457
QVC-International		606	77	638	95	1,198	149	1,308	199
Consolidated QVC	$	2,224	262	2,392	327	4,417	473	4,746	656

Other information

		Three months ended June 30,				Six months ended June 30,			
		2023		2022		2023		2022	
(in millions)		Depreciation	Amortization	Depreciation	Amortization	Depreciation	Amortization	Depreciation	Amortization
QxH	$	14	67	22	66	29	130	45	137
QVC-International		8	5	10	4	16	8	22	7
Consolidated QVC	$	22	72	32	70	45	138	67	144

		June 30, 2023		
(in millions)		Total assets	Capital expenditures	Property and equipment, net
QxH	$	10,217	61	262
QVC-International		1,884	18	177
Consolidated QVC	$	12,101	79	439

The following table provides a reconciliation of Adjusted OIBDA to operating income and income before income taxes:

		Three months ended June 30,		Six months ended June 30,	
(in millions)		2023	2022	2023	2022
Adjusted OIBDA	$	262	327	473	656
Gains on sale of intangible asset and sale leaseback transactions		6	243	119	243
Restructuring and fire related (costs), net of recoveries (including Rocky Mount inventory losses)		211	(16)	215	(98)
Stock-based compensation		(11)	(10)	(20)	(18)
Depreciation and amortization		(94)	(102)	(183)	(211)
Operating income		374	442	604	572
(Losses) gains on financial instruments		—	—	(1)	1
Interest expense, net		(67)	(63)	(104)	(125)
Foreign currency (loss) gain		(3)	21	(9)	29
Gain (loss) on extinguishment of debt		10	(6)	10	(6)
Other income		—	—	—	20
Income before income taxes	$	314	394	500	491

QVC, Inc.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(10) Fire at Rocky Mount Fulfillment Center

On December 18, 2021, QVC experienced a fire at its Rocky Mount fulfillment center in North Carolina. Rocky Mount was the Company's second-largest fulfillment center for QxH and the Company's primary returns center for hard goods. The Company maintains property, general liability and business interruption insurance coverage. Based on the provisions of QVC's insurance policies, the Company recorded estimated insurance recoveries for fire related costs for which recovery was deemed probable. As of December 31, 2022 the Company had an insurance receivable of $40 million recorded in accounts receivable in the consolidated balance sheet.

In June 2023, the Company agreed to a final insurance settlement with its insurance company and received all remaining proceeds related to the Rocky Mount claim. As of December 31, 2022 and June 30, 2023, the Company recorded cumulative fire related costs of $407 million and $434 million, respectively, of which $16 million and $27 million, were recorded during the three and six months ended June 30, 2023, respectively. Cumulative costs as of December 31, 2022 and June 30,2023 include $119 million of costs that were not reimbursable by QVC's insurance policies. As of December 31, 2022 and June 30, 2023 the Company received cumulative insurance proceeds of $380 million and $660 million, respectively, and recorded net gains, representing the proceeds received in excess of recoverable losses recognized, of $132 million during the year ended December 31, 2022 and $209 million and $213 million, respectively, during the three and six months ended June 30, 2023. Of the $280 million of insurance proceeds received during the six months ended June 30, 2023, $210 million represents recoveries for business interruption losses. The fire related costs and gains related to insurance recoveries are included in restructuring and fire related costs, net of (recoveries) in the condensed consolidated statement of operations.

In February 2023, QVC sold the Rocky Mount fulfillment center to an independent third party and received net cash proceeds of $15 million. During the three months ended June 30,2023, QVC received an additional $2 million of proceeds from the sale that were released from escrow. QVC recognized gains on the sale of $2 million and $15 million during the three and six months ended June 30, 2023, respectively, calculated as the difference between the aggregate consideration received and the carrying value of the property. The gain is included in fire related costs, net of (recoveries) in the condensed consolidated statement of operations.

During the six months ended June 30, 2022, the Company recorded $135 million of fire related costs including $95 million for the write-down of Rocky Mount inventory which was included in Cost of goods sold. Due to the circumstances surrounding the write-down of the inventory, this write-down has been excluded from Adjusted OIBDA (as defined in note 9).

(11) Subsequent Events

QVC declared and paid dividends to Qurate Retail in the amount of $33 million from July 1, 2023 to August 4, 2023.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain statements in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our business, product and marketing strategies; the impact of the fire at the Rocky Mount fulfillment center; insurance recoveries; the remediation of a material weakness; capital expenditures; revenue growth; the recoverability of our goodwill and other long-lived assets; our projected sources and uses of cash; repayment of debt; and the anticipated impact of certain contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. The following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated:

- the continuing global and regional economic impacts of the COVID-19 pandemic and other public health-related risks and events, on our customers, our vendors and our businesses generally;
- customer demand for our products and services and our ability to attract new customers and retain existing customers by anticipating customer demand and adapting to changes in demand;
- competitor responses to our products and services;
- increased digital TV penetration and the impact on channel positioning of our programs;
- the levels of online traffic on our websites and our ability to convert visitors into consumers or contributors;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our future financial performance, including availability, terms and deployment of capital;
- our ability to effectively manage our installment sales plans and revolving credit card programs;
- the cost and ability of shipping companies, manufacturers, suppliers, digital marketing channels and vendors to deliver products, equipment, software and services;
- the outcome of any pending or threatened litigation;
- availability of qualified personnel;
- the impact of the seasonality of our business;
- changes in, or failure or inability to comply with, government regulations, including, without limitation, regulations of the Federal Communications Commission, and adverse outcomes from regulatory proceedings;
- changes in the nature of key strategic relationships with partners, distributors, suppliers and vendors;
- domestic and international economic and business conditions and industry trends, including the impact of inflation and increased labor costs;
- increases in market interest rates;
- changes in tariffs, trade policy and trade relations and the United Kingdom ("U.K.")'s exit from the European Union;
- changes in trade policy and trade relations with China;
- consumer spending levels, including the availability and amount of individual consumer debt;
- the effects of our debt obligations;
- advertising spending levels;

- system interruption and the lack of integration and redundancy in the systems and infrastructures of our business;
- changes in distribution and viewing of television programming, including the expanded deployment of video on demand technologies and Internet Protocol television and their impact on home shopping programming;
- failure to protect the security of personal information, subjecting us to potentially costly government enforcement actions and/or private litigation and reputational damage;
- the regulatory and competitive environment of the industries in which we operate;
- threatened terrorist attacks, political unrest in international markets and ongoing military action around the world;
- fluctuations in foreign currency exchange rates;
- natural disasters, public health crises (including resurgences of COVID-19 and its variants), political crises, and other catastrophic events or other events outside of our control, including climate change;
- failure to successfully implement Project Athens (defined below); and
- Qurate Retail's dependence on our cash flow for servicing its debt.

For additional risk factors, please see Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022 (the "2022 10-K"). These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Quarterly Report on Form 10-Q, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

The following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our accompanying condensed consolidated financial statements and the notes thereto and the 2022 10-K.

Overview

QVC, Inc. and its consolidated subsidiaries (unless otherwise indicated or required by the context, the terms "we," "our," "us," the "Company" and "QVC" refer to QVC, Inc. and its consolidated subsidiaries) is a retailer of a wide range of consumer products, which are marketed and sold primarily by merchandise-focused televised shopping programs, the Internet and mobile applications. QVC is comprised of the reportable segments of QxH, which is comprised of QVC-U.S. and HSN, Inc. ("HSN"), and QVC-International. These segments reflect the way the Company evaluates its business performance and manages its operations.

Strategies and challenges of business units

The goal of QVC is to extend its leadership in video commerce, e-commerce, streaming commerce and social commerce by continuing to create the world’s most engaging shopping experiences, combining the best of retail, media, and social, highly differentiated from traditional brick-and-mortar stores or transactional e-commerce. QVC provides customers with curated collections of unique products, made personal and relevant by the power of storytelling. We curate experiences, conversations and communities for millions of highly discerning shoppers, and we also reach large audiences, across our many platforms, for our thousands of brand partners.

On June 27, 2022, Qurate Retail announced a five-point turnaround plan designed to stabilize and differentiate its core QxH and QVC-International businesses and expand the Company's leadership in video streaming commerce (“Project Athens”). Project Athens main initiatives include: (i) improve customer experience and grow relationships; (ii) rigorously execute core processes; (iii) lower cost to serve; (iv) optimize the brand portfolio; and (v) build new high growth businesses anchored in strength. In support of Project Athens QVC’s strategies are as follows.

QVC is focused on rebuilding stronger connections with their customers. In order to improve customer experience and grow relationships, QVC is working to optimize programming using advanced analytics to align product offerings, promotions and airtime with customer preferences. In addition, we expect to invest in infrastructure which will endeavor to improve the customer's order to delivery experience by increasing personalization, reducing shipping time and improving shipment tracking visibility. We expect to develop a customer loyalty program which will provide customers with a more personalized experience.

QVC is enhancing its core processes to deliver the human story telling experience behind a product while also sharing a clear and compelling value proposition. In order to rigorously execute core processes, QVC will optimize pricing and assortment by investing in enhanced Information Technology systems that will support real-time pricing and promotion adjustments at an item level. We will also focus on growing our private label brands to drive revenue and margin at productive scale.

QVC is right sizing its cost base to improve profitability and cash generation. In order to lower cost to serve, QVC will enhance review of spending to identify cost savings opportunities, including opportunities for workforce reduction. Additionally, we will improve product margin through market vendor efficiency and lower fulfillment costs through freight optimization and higher productivity.

Finally, QVC is focused on expanding in the video streaming shopping market. In order to build new high growth businesses anchored in strength, QVC expects to expand streaming viewership by improving the current streaming experience with enhanced video and navigation and seamless transactions. Additionally, we are shaping the future streaming experience with exclusive content, program and deal concepts. We are also building a next generation shopping app featuring vendors with self-made content.

During 2022 QVC commenced the first phase of Project Athens, including actions to reduce inventory and a planned workforce reduction. These initiatives are consistent with QVC’s strategy to operate more efficiently as it implements its turnaround plan, and QVC expects to incur additional expenses related to Project Athens initiatives in future periods. During the six months ended June 30, 2023, QVC implemented a workforce reduction and recorded restructuring charges of $13 million in Restructuring and fire related costs, net of (recoveries) in the condensed consolidated statement of operations.

QVC’s future net revenue will depend on its ability to grow through digital platforms, retain and grow revenue from existing customers, and attract new customers. QVC's future net revenue may also be affected by (i) the willingness of cable television and direct-to-home satellite system operators to continue carrying QVC's programming service; (ii) QVC's ability to maintain favorable channel positioning, which may become more difficult due to governmental action or from distributors converting analog customers to digital; (iii) changes in television viewing habits because of video-on-demand technologies and Internet video services; (iv) QVC's ability to source new and compelling products; and (v) general economic conditions.

The current economic uncertainty in various regions of the world in which our subsidiaries and affiliates operate could adversely affect demand for our products and services since a substantial portion of our revenue is derived from discretionary spending by individuals, which typically falls during times of economic instability. Global financial markets may experience disruptions, including increased volatility and diminished liquidity and credit availability. If economic and financial market conditions in the U.S. or other key markets, including Japan and Europe, continue to be uncertain or deteriorate, our customers may respond by suspending, delaying or reducing their discretionary spending. A suspension, delay or reduction in discretionary spending could adversely affect revenue. Accordingly, our ability to increase or maintain revenue and earnings could be adversely affected to the extent that relevant economic environments decline. Such weak economic conditions may also inhibit our expansion into new European and other markets. We currently are unable to predict the extent of any of these potential adverse effects.

The Company has seen inflationary pressures during the period including higher wages and merchandise costs. If these pressures persist, inflated costs may result in certain increased costs outpacing our pricing power in the near term.

On December 18, 2021, QVC experienced a fire at its Rocky Mount fulfillment center in North Carolina. Rocky Mount was the Company’s second-largest fulfillment center, processing approximately 25% to 30% of volume for QVC-U.S., and also served as QVC-U.S.’s primary returns center for hard goods. The building was significantly damaged as a result of the fire and related smoke and will not reopen. The Company took steps to mitigate disruption to operations including diverting inbound orders, leveraging its existing fulfillment centers and supplementing these facilities with short-term leased space as needed. QVC sold the property in February 2023 and received net cash proceeds of $15 million. During the three months ended June 30,2023, QVC received an additional $2 million of proceeds from the sale that were released from escrow. QVC recognized gains on the sale of $2 million and $15 million during the three and six months ended June 30, 2023, respectively. We are currently evaluating long-term alternatives to alleviate the strain on our network caused by the loss of the Rocky Mount fulfillment center.

Based on the provisions of QVC's insurance policies and discussions with insurance carriers, the Company determined that recovery of certain fire related costs was probable, and recorded an insurance receivable.

In June 2023, the Company agreed to a final insurance settlement with its insurance company and received all remaining proceeds related to the Rocky Mount claim. As of December 31, 2022 and June 30, 2023, the Company recorded cumulative fire related costs of $407 million and $434 million, respectively, of which $16 million and $27 million, were recorded during the three and six months ended June 30, 2023, respectively. Cumulative costs as of December 31, 2022 and June 30,2023 include $119 million of costs that were not reimbursable by QVC's insurance policies. As of December 31, 2022 and June 30, 2023 the Company received cumulative insurance proceeds of $380 million and $660 million, respectively, and recorded net gains, representing the proceeds received in excess of recoverable losses recognized, of $132 million during the year ended December 31, 2022 and $209 million and $213 million, respectively, during the three and six months ended June 30, 2023. Of the $280 million of insurance proceeds received during the six months ended June 30, 2023, $210 million represents recoveries for business interruption losses. The fire related costs and gains related to insurance recoveries are included in restructuring and fire related costs, net of (recoveries) in the condensed consolidated statement of operations.
We expect to continue to record additional costs during 2023 related to exiting the Rocky Mount facility. While the Company took steps to minimize the overall impact to the business, we experienced increased warehouse and logistics costs during the six months ended June 30, 2023 and 2022. We do not anticipate these increased warehouse and logistics costs will have a material impact on future periods.

In November 2022, QVC-International entered into agreements to sell two properties located in Germany and the U.K. to an independent third party. Under the terms of the agreements, QVC received net cash proceeds of $102 million related to its German facility and $80 million related to its U.K. facility when the sale closed in January 2023. Concurrent with the sale, the Company entered into agreements to lease each of the properties back from the purchaser over an initial term of 20 years with the option to extend the terms of the property leases for up to four consecutive terms of five years. QVC recognized a $69 million and $44 million gain related to the successful sale leaseback of the German and U.K. properties, respectively, during the first quarter of 2023 calculated as the difference between the aggregate consideration received and the carrying value of the properties. The Company accounted for the leases as operating leases and recorded a $42 million and $32 million right-of-use asset and operating lease liability for the German and U.K. properties, respectively.

In June 2022, QVC modified the finance lease for its distribution center in Ontario, California which reduced the term of the lease and removed QVC's ability to take ownership of the distribution center at the end of the lease term. QVC will make annual payments over the modified lease term. Since the lease was modified and removed QVC's ability to take ownership at the end of the lease term, the Company accounted for the modification similar to a sale and leaseback transaction and, as a result, recognized a $240 million gain on the sale of the distribution center during the second quarter of 2022, calculated as the difference between the aggregate consideration received (including cash of $250 million and forgiveness of the remaining financing obligation of $84 million) and the carrying value of the distribution center. The gain is included in gains on sale of intangible asset and sale leaseback transactions in the consolidated statement of operations. The Company accounted for the modified lease as an operating lease and recorded a $37 million right-of-use asset and a $31 million operating lease liability, with the difference attributable to prepaid rent.

Results of Operations

QVC's operating results were as follows:

(in millions)		Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Net revenue	$	2,224	2,392	4,417	4,746
Operating costs and expenses:					
Cost of goods sold (exclusive of depreciation, amortization and Rocky Mount inventory losses shown below)		1,456	1,593	2,944	3,154
Operating		177	179	355	357
Selling, general and administrative, excluding stock-based compensation		329	293	645	579
Adjusted OIBDA (defined below)		262	327	473	656
Restructuring and fire related costs, net of (recoveries) (including Rocky Mount inventory losses)		(211)	16	(215)	98
Gains on sale of intangible asset and sale leaseback transactions		(6)	(243)	(119)	(243)
Stock-based compensation		11	10	20	18
Depreciation		22	32	45	67
Amortization		72	70	138	144
Operating income		374	442	604	572
Other (expense) income:					
Losses on financial instruments		—	—	(1)	1
Interest expense, net		(67)	(63)	(104)	(125)
Foreign currency (loss) gain		(3)	21	(9)	29
Gain (loss) on extinguishment of debt		10	(6)	10	(6)
Other income		—	—	—	20
		(60)	(48)	(104)	(81)
Income before income taxes		314	394	500	491
Income tax expense		(88)	(109)	(139)	(150)
Net income		226	285	361	341
Less net income attributable to the noncontrolling interest		(13)	(15)	(26)	(29)
Net income attributable to QVC, Inc. stockholder	$	213	270	335	312

Net revenue

Net revenue by segment was as follows:

(in millions)		Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
QxH	$	1,618	1,754	3,219	3,438
QVC-International		606	638	1,198	1,308
Consolidated QVC	$	2,224	2,392	4,417	4,746

QVC's consolidated net revenue decreased 7.0% and 6.9% for the three and six months ended June 30, 2023, respectively, as compared to the corresponding periods in the prior year. The three month decrease in net revenue is primarily due to a 10.2% decrease in units shipped across both segments, a $17 million decrease in shipping and handling primarily at QxH and to a lesser extent QVC-International and $11 million in unfavorable foreign exchange rates. These decreases were partially offset by a 5.0% increase in average selling price per unit ("ASP") across both segments. The six month decrease in net revenue is primarily due to an 8.2% decrease in units shipped across both segments, $67 million in unfavorable foreign exchange rates and a $36 million decrease in shipping and handling revenue driven by QxH. These declines were partially offset by a 4.1% increase in ASP across both segments.

During the three and six months ended June 30, 2023 and 2022, the changes in revenue and expenses were affected by changes in the exchange rates for the U.K. Pound Sterling, the Euro and the Japanese Yen. In the event the U.S. Dollar strengthens against these foreign currencies in the future, QVC's revenue and operating cash flow will be negatively affected.

In discussing our operating results, the term "currency exchange rates" refers to the currency exchange rates we use to convert the operating results for all countries where the functional currency is not the U.S. Dollar. We calculate the effect of changes in currency exchange rates as the difference between current period activity translated using the prior period's currency exchange rates. Throughout our discussion, we refer to the results of this calculation as the impact of currency exchange rate fluctuations. When we refer to "constant currency operating results", this means operating results without the impact of the currency exchange rate fluctuations. The disclosure of constant currency amounts or results permits investors to understand better QVC’s underlying performance without the effects of currency exchange rate fluctuations.

The percentage change in net revenue for each of QVC's segments in U.S. Dollars and in constant currency was as follows:

	Three months ended June 30, 2023			Six months ended June 30, 2023		
	U.S. Dollars	**Foreign Currency Exchange Impact**	**Constant Currency**	**U.S. Dollars**	**Foreign Currency Exchange Impact**	**Constant Currency**
QxH	(7.8)%	— %	(7.8)%	(6.4)%	— %	(6.4)%
QVC-International	(5.0)%	(1.7)%	(3.3)%	(8.4)%	(5.1)%	(3.3)%

QxH's net revenue decline for the three months ended June 30, 2023 was primarily due to an 11.6% decrease in units shipped and a $14 million decrease in shipping and handling revenue. These declines were partially offset by a 5.4% increase in ASP. For the three months ended June 30, 2023, QxH experienced shipped sales growth in beauty with declines across all other categories. For the six months ended June 30, 2023, QxH net revenue decreased due to an 8.7% decrease in units shipped and a $31 million decrease in shipping and handling revenue. These declines were partially offset by a 3.8% increase in ASP. For the six months ended June 30, 2023, QxH experienced shipped sales declines across all categories.

QVC-International's net revenue decline in constant currency for the three months ended June 30, 2023 was primarily due to a 7.0% decrease in units shipped across all markets. This decline was partially offset by a 4.5% increase in ASP across all markets. For the three months ended June 30, 2023, QVC-International experienced shipped sales growth in constant currency in beauty with declines across all other product categories except home which remained flat. QVC-International's net revenue decline in constant currency for the six months ended June 30, 2023 was primarily due to a 7.0% decrease in units shipped across all markets. These declines were partially offset by a 4.7% increase in ASP driven across all markets. For the six months ended June 30, 2023, QVC-International experienced shipped sales growth in constant currency across beauty, accessories and apparel with declines in all other categories.

Cost of goods sold (excluding depreciation, amortization and fire related costs, net)

QVC's cost of goods sold as a percentage of net revenue was 65.5% and 66.7% for the three and six months ended June 30, 2023, respectively, compared to 66.6% and 66.5% for the three and six months ended June 30, 2022, respectively. The decrease in cost of goods sold as a percentage of revenue for the three months ended June 30, 2023 across both segments is primarily due to product margin favorability, lower freight costs and lower inventory obsolescence. These decreases were partially offset by higher warehousing costs across both segments. The increase in cost of goods sold as a percentage of revenue for the six months ended June 30, 2023 across both segments is primarily due to higher warehousing costs partially offset by lower inventory obsolescence and lower freight costs. Higher warehousing costs for the three and six months ended June 30, 2023 are primarily due to higher rent expense of $12 million and $25 million, respectively, as a result of warehouses sold and leased back during the prior year and current period. The lower inventory obsolescence for the three and six months ended June 30, 2023 was driven by lower levels of inventory in the current period.

Operating expenses

QVC's operating expenses are principally comprised of commissions, order processing and customer service expenses, credit card processing fees and telecommunications expenses. Operating expenses were 8.0% of net revenue for each of the three and six months ended June 30, 2023, respectively, and were 7.5% for each of the three and six months ended June 30, 2022, respectively. For the three and six months ended June 30, 2023, the increases in operating expenses as a percent of sales are primarily due to higher commissions expense at QxH related to fixed commissions payments, partially offset by lower personnel costs at QxH and favorable exchange rates.

Selling, general and administrative expenses (excluding stock-based compensation)

QVC's selling, general, and administrative expenses (excluding stock-based compensation) include personnel, information technology, provision for doubtful accounts, production costs, and marketing and advertising expenses. Such expenses increased $36 million for the three months ended June 30, 2023, as compared to the three months ended June 30, 2022 and as a percentage of net revenue from 12.2% to 14.8%. Selling, general, and administrative expenses increased $66 million for the six months ended June 30, 2023, as compared to the six months ended June 30, 2022 and increased as a percentage of net revenue from 12.2% to 14.6%.

For the three months ended June 30, 2023, the increase was primarily due to a $20 million increase in consulting expenses, mainly at QxH and a $19 million increase in personnel costs across both segments. These increases were partially offset by an $11 million decrease in credit losses, primarily at QxH. For the six months ended June 30, 2023, the increase was primarily due to a $48 million increase in consulting expenses mainly at QxH, a $31 million increase in personnel costs across both segments and an $8 million increase in rent expense at QxH. These increases were partially offset by a $17 million decrease in credit losses, primarily at QxH, a $9 million decrease in marketing expenses, primarily at QxH and $9 million in favorable exchange rates. The increase in consulting expenses for the three and six months ended June 30, 2023 is primarily related to Project Athens. The increase in personnel costs for the three and six months ended June 30, 2023 was driven by higher benefits expense in comparison to the prior year. The decrease to estimated credit losses for the three and six months ended June 30, 2023 was due to higher than expected collections in the current year compared to unfavorable adjustments recognized in the prior year based on actual collections experience.

Restructuring and fire related costs, net of (recoveries) (including Rocky Mount inventory losses)

QVC recorded a gain of $211 million and $215 million for the three and six months ended June 30, 2023 in restructuring and fire related costs, net of recoveries. For the three months ended June 30, 2023, the gain primarily related to a $225 million gain on insurance proceeds received in excess of fire losses partially offset by $16 million of other fire related costs. For the six months ended June 30, 2023, the gain related to a $240 million gain on insurance proceeds received in excess of fire losses and a $15 million gain on the sale of the Rocky Mount property, partially offset by $27 million of other fire related costs and $13 million of restructuring costs related to workforce reduction. QVC recorded $16 million and $98 million restructuring and fire related costs, net of recoveries for the three and six months ended June 30, 2022, respectively, primarily due to write-downs on Rocky Mount inventory. Fire related costs, net includes expenses directly related to the Rocky Mount fulfillment center fire net of expected and received insurance recoveries and gain on the sale of the Rocky Mount property. Expenses indirectly related to the Rocky Mount fulfillment center fire, including operational inefficiencies, are primarily included in Cost of goods sold.

Gains on sale of intangible asset and sale leaseback transactions

QVC recorded $6 million and $119 million of gain on intangible asset and sale leaseback transactions for the three and six months ended June 30, 2023, respectively. The $6 million gain for the three months ended June 30, 2023 is primarily related to the sale of a channel positioning right. The $119 million gain for the six months ended June 30, 2023 is primarily related to the sale leaseback of two properties located in Germany and the U.K. For the three and six months ended June 30, 2022, QVC recorded a $243 million gain primarily related to the sale-leaseback of the Ontario distribution center.

Stock-based compensation

Stock-based compensation includes compensation related to options and restricted stock units granted to certain officers and employees. QVC recorded $11 million and $20 million of stock-based compensation expense for the three and six months ended June 30, 2023, respectively, and recorded $10 million and $18 million of stock-based compensation expense for the three and six months ended June 30, 2022, respectively.

Depreciation and amortization

Depreciation and amortization consisted of the following:

(in millions)		Three months ended June 30, 2023	2022	Six months ended June 30, 2023	2022
Customer relationships		11	11	23	23
Other technology		4	4	8	8
Acquisition related amortization		15	15	31	31
Property and equipment		22	32	45	67
Software amortization		31	27	57	54
Channel placement amortization and related expenses		26	28	50	59
Total depreciation and amortization	$	94	102	183	211

For the three and six months ended June 30, 2023, property and equipment depreciation decreased primarily due to assets disposed of related to the six owned and operated U.S. properties sold and leased back during 2022 and the Germany and U.K properties sold and leased back during the first quarter of 2023. The decrease in channel placement amortization and related expenses for the six months ended June 30, 2023 is due to adjustments recognized related to lower subscriber counts. The increase in software amortization for the three and six months ended June 30, 2023 is due to software additions including an enhancement to QVC's Enterprise Resource Planning system that was placed into service in the second quarter of 2023.

Interest expense, net

For the three and six months ended June 30, 2023, consolidated interest expense, net increased $4 million and decreased $21 million, respectively, as compared to the corresponding periods in the prior year. The increase in interest expense for the three months ended June 30, 2023 is primarily due to higher outstanding debt and a higher interest rate on the senior secured credit facility. The decrease in interest expense for the six months ended June 30, 2023 is primarily due to the reversal of interest expense accrued in prior periods related to the settlement of state income tax reserves during the current period, partially offset by higher interest expense as a result of higher outstanding debt and a higher interest rate on the senior secured credit facility.

Foreign currency (loss) gain

Certain loans between QVC and its subsidiaries are deemed to be short-term in nature, and accordingly, the translation of these loans is recorded in the condensed consolidated statements of operations. For the three and six months ended June 30, 2023, the change in foreign currency (loss) gain was also due to variances in interest and operating payables balances between QVC and its international subsidiaries denominated in the currency of the subsidiary and the effects of currency exchange rate changes on those balances.

Gain (loss) on extinguishment of debt

For the three and six months ended June 30, 2023, the Company recorded a gain on extinguishment of debt of $10 million related to the repurchase of the 4.85% and 4.45% Senior Secured Notes. For the three and six months ended June 30, 2022, the Company recorded a loss on extinguishment of debt of $6 million related to the repayment of $536 million of the outstanding 4.375% Senior Secured Notes due 2023.

Income taxes

Our effective tax rate was 28.0% and 27.8% for the three and six months ended June 30, 2023, respectively, compared to an effective tax rate of 27.7% and 30.5% for the three and six months ended June 30, 2022, respectively. The 2023 rate differs from the U.S. federal income tax rate of 21% due primarily to state and foreign tax expense and permanent items. The 2023 effective tax rate has decreased from the prior year for the six months ended June 30, 2023 primarily due to the reversal of tax expense accrued in prior periods related to the settlement of state income tax reserves.

Adjusted Operating Income before Depreciation and Amortization (Adjusted OIBDA)

To provide investors with additional information regarding our financial statements, we disclose Adjusted OIBDA, which is a non-U.S. generally accepted accounting principles ("U.S. GAAP") measure. QVC defines Adjusted OIBDA as operating income plus depreciation and amortization, stock-based compensation and excluding restructuring and fire related costs, net of recoveries (including Rocky Mount inventory losses) and gains on sale of intangible asset and sale leaseback transactions. QVC's chief operating decision maker and management team use this measure of performance in conjunction with other measures to evaluate the businesses and make decisions about allocating resources among the businesses. QVC believes that this is an important indicator of the operational strength and performance of the segments by identifying those items that are not directly a reflection of each segment's performance or indicative of ongoing business trends. In addition, this measure allows QVC to view operating results, perform analytical comparisons and perform benchmarking among its businesses and identify strategies to improve performance. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with U.S. GAAP.

The primary material limitations associated with the use of Adjusted OIBDA as compared to U.S. GAAP results are (i) it may not be comparable to similarly titled measures used by other companies in the industry, and (ii) it excludes financial information that some may consider important in evaluating QVC's performance. QVC compensates for these limitations by providing disclosure of the difference between Adjusted OIBDA and U.S. GAAP results, including providing a reconciliation of Adjusted OIBDA to U.S. GAAP results, to enable investors to perform their own analysis of QVC's operating results. The following table provides a reconciliation of operating income to Adjusted OIBDA.

		Three months ended June 30,		Six months ended June 30,	
(in millions)		**2023**	**2022**	**2023**	**2022**
Operating income	$	374	442	604	572
Depreciation and amortization		94	102	183	211
Stock-based compensation		11	10	20	18
Restructuring and fire related costs, net of (recoveries) (including Rocky Mount inventory losses) (see note 10)		(211)	16	(215)	98
Gains on sale of intangible asset and sale leaseback transactions		(6)	(243)	(119)	(243)
Adjusted OIBDA	$	262	327	473	656

QVC Adjusted OIBDA decreased by $65 million for the three months ended June 30, 2023 compared to the three months ended June 30, 2022. The decrease is comprised of a $47 million decrease in QxH and an $18 million decrease in QVC-International.

QVC Adjusted OIBDA decreased by $183 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022. The decrease is comprised of a $133 million decrease in QxH and a $50 million decrease in QVC-International.

Seasonality

QVC's business is seasonal due to a higher volume of sales in the fourth calendar quarter related to year-end holiday shopping. In recent years, QVC has earned, on average, between 21% and 24% of its revenue in each of the first three quarters of the year and between 30% and 32% of its revenue in the fourth quarter of the year.

Financial Position, Liquidity and Capital Resources

General

Historically, QVC's primary sources of cash have been cash provided by operating activities and borrowings. In general, QVC uses this cash to fund its operations, make capital purchases, make dividend and tax sharing payments to Qurate Retail, make interest payments and repay borrowings.

As of June 30, 2023, substantially all of QVC's cash and cash equivalents were invested in AAA rated money market funds and time deposits with banks rated equal to or above A.

Senior Secured Notes

All of QVC's senior secured notes are secured by the capital stock of QVC and have equal priority to the senior secured credit facility. The interest on QVC's senior secured notes is payable semi-annually with the exception of the 6.375% Senior Secured Notes due 2067 (the "2067 Notes") and the 6.25% Senior Secured Notes due 2068 (the "2068 Notes"), which is payable quarterly. The remaining outstanding 4.375% Senior Secured Notes due 2023 were repaid at maturity in March 2023.

During the second quarter of 2023, QVC purchased $177 million of the outstanding 4.85% Senior Secured Notes due 2024 (the "2024 Notes") and $15 million of the outstanding 4.45% Senior Secured Notes due 2025. As a result of the repurchases, the Company recorded a gain on extinguishment of debt in the condensed consolidated statements of operations of $10 million for the three and six months ended June 30, 2023. As of June 30, 2023, the remaining outstanding 2024 Notes are classified within the current portion of long term debt as they mature in less than one year.

The senior secured notes contains certain covenants, including certain restrictions on QVC and its restricted subsidiaries (subject to certain exceptions), with respect to, among other things: incurring additional indebtedness; creating liens on property or assets; making certain loans or investments; selling or disposing of assets; paying certain dividends and other restricted payments; consolidating or merging; entering into certain transactions with affiliates; entering into sale or leaseback transactions; and restricting subsidiary distributions.

The senior secured notes permit QVC to make unlimited dividends or other restricted payments so long as QVC is not in default under the indentures governing the senior secured notes and QVC’s consolidated leverage ratio is not greater than 3.5 to 1.0 (the “senior secured notes leverage basket”). As of June 30, 2023, QVC’s consolidated leverage ratio (as calculated under QVC’s senior secured notes) was greater than 3.5 to 1.0 and as a result QVC is restricted in its ability to make dividends or other restricted payments under the senior secured notes. Although QVC will not be able to make unlimited dividends or other restricted payments under the senior secured notes leverage basket, QVC will continue to be permitted to make unlimited dividends to parent entities of QVC to service the principal and interest when due in respect of indebtedness of such parent entities (so long as there is no default under the indentures governing QVC’s senior secured notes) and permitted to make certain restricted payments to Qurate Retail under an intercompany tax sharing agreement in respect of certain tax obligations of QVC and its subsidiaries.

Senior Secured Credit Facility

On October 27, 2021, QVC entered into the Fifth Amended and Restated Credit Agreement with Zulily, CBI, and QVC Global, each a direct or indirect wholly owned subsidiary of Qurate Retail, as borrowers (collectively, the "Borrowers"). The Fifth Amended and Restated Credit Agreement is a multi-currency facility providing for a $3.25 billion revolving credit facility, with a $450 million sub-limit for letters of credit and an alternative currency revolving sub-limit equal to 50% of the revolving commitments thereunder. The Fifth Amended and Restated Credit Agreement may be borrowed by any Borrower, with each Borrower jointly and severally liable for the outstanding borrowings. Borrowings bear interest at either the alternate base rate ("ABR Rate") or a LIBOR-based rate (or the applicable non-U.S. Dollar equivalent rate) ("Term Benchmark/RFR Rate") at the applicable Borrower's election in each case plus a margin. Borrowings that are ABR Rate loans will bear interest at a per annum rate equal to the base rate plus a margin that varies between 0.25% and 0.625% depending on the Borrowers' combined ratio of consolidated total debt to consolidated EBITDA (the "consolidated leverage ratio"). Borrowings that are Term Benchmark/RFR Rate loans will bear interest at a per annum rate equal to the applicable rate plus a margin that varies between 1.25% and 1.625% depending on the Borrowers' consolidated leverage ratio. Each loan may be prepaid at any time and from time to time without penalty other than customary breakage costs. No mandatory prepayments will be required other than when borrowings and letter of credit usage exceed availability; provided that, if Zulily, CBI, QVC Global or any other borrower (other than QVC) is removed, at the election of QVC, as a borrower thereunder, all of its loans must be repaid and its letters of credit are terminated or cash collateralized. Any amounts prepaid may be reborrowed. The facility matures on October 27, 2026. Payment of loans may be accelerated following certain customary events of default. In connection with Qurate Retail's divestiture of Zulily (see note 1), Zulily is no longer a co-borrower in the Credit Facility, and Zulily repaid its outstanding borrowings under the Fifth Amended and Restated Credit Agreement.

On June 20, 2023, QVC, QVC Global and CBI, as borrowers, JPMorgan Chase Bank, N.A., as administrative agent, and the other parties thereto entered into a SOFR Transition and Other Agreements agreement whereby, in accordance with the Fifth Amended and Restated Credit Agreement, LIBOR-based rate loans denominated in US dollars made on or after June 30, 2023 would be replaced with Secured Overnight Financing Rate ("SOFR")-based rate loans. Borrowings that are SOFR-based loans will bear interest at a per annum rate equal to the applicable SOFR rate, plus a credit spread adjustment, plus a margin that varies between 1.25% and 1.625% depending on the Borrowers' consolidated leverage ratio.

Availability under the Fifth Amended and Restated Credit Agreement at June 30, 2023 was $1.76 billion. The interest rate on the senior secured credit facility was 6.6% and 3.0% at June 30, 2023 and 2022, respectively.

The payment and performance of the Borrowers' obligations under the Fifth Amended and Restated Credit Agreement are guaranteed by each of QVC's, QVC Global's and CBI's Material Domestic Subsidiaries (as defined in the Fifth Amended and Restated Credit Agreement), if any, and certain other subsidiaries of any Borrower that such Borrower has chosen to provide guarantees. Further, the borrowings under the Fifth Amended and Restated Credit Agreement are secured, pari passu with QVC's existing notes, by a pledge of all of QVC's equity interests. The borrowings under the Fifth Amended and Restated Credit Agreement are also secured by a pledge of all of CBI's equity interests.

The Fifth Amended and Restated Credit Agreement contains certain affirmative and negative covenants, including certain restrictions on the Borrowers and each of their respective restricted subsidiaries (subject to certain exceptions) with respect to, among other things: incurring additional indebtedness; creating liens on property or assets; making certain loans or investments; selling or disposing of assets; paying certain dividends and other restricted payments; dissolving, consolidating or merging; entering into certain transactions with affiliates; entering into sale or leaseback transactions; restricting subsidiary distributions; and limiting the Borrowers' consolidated leverage ratio.

Parent Issuer and Subsidiary Guarantor Summarized Financial Information

The following information contains the summarized financial information for the combined parent (QVC, Inc.) and subsidiary guarantors (Affiliate Relations Holdings, Inc.; Affiliate Investment, Inc.; AMI 2, Inc.; ER Marks, Inc.; QVC Global Corporate Holdings, LLC; QVC GCH Company, LLC; QVC Rocky Mount, Inc.; QVC San Antonio, LLC; QVC Global Holdings I, Inc.; HSN, Inc; HSNi, LLC; HSN Holding LLC; AST Sub, Inc.; Home Shopping Network En Espanol, L.P.; Home Shopping Network En Espanol, L.L.C; Ingenious Designs LLC; NLG Merger Corp.; Ventana Television, Inc.; and Ventana Television Holdings, Inc.) pursuant to Rules 3-10, 13-01 and 13-02 of Regulation S-X.

This consolidated summarized financial information has been prepared from the Company's financial information on the same basis of accounting as the Company's consolidated financial statements. Transactions between the parent and subsidiary guarantors presented on a combined basis have been eliminated. The principal elimination entries relate to investments in subsidiaries and intercompany balances and transactions, such as management fees, royalty revenue and expense, interest income and expense and gains on intercompany asset transfers. Goodwill and other intangible assets have been allocated to the subsidiaries based on management's estimates. Certain costs have been partially allocated to all of the subsidiaries of the Company.

The subsidiary guarantors are 100% owned by the Company. All guarantees are full and unconditional and are joint and several. There are no significant restrictions on the ability of the Company to obtain funds from its U.S. subsidiaries, including the guarantors, by dividend or loan.

Summarized financial information for the year-to-date interim period and the most recent annual period was as follows:

		Combined Parent-QVC, Inc. and Subsidiary Guarantors June 30, 2023
Current assets	$	1,852
Intercompany payable to non-guarantor subsidiaries		(2,753)
Note receivable - related party		1,740
Noncurrent assets		6,303
Current liabilities		1,324
Noncurrent liabilities		5,359

		Combined Parent-QVC, Inc. and Subsidiary Guarantors December 31, 2022
Current assets	$	2,086
Intercompany payable to non-guarantor subsidiaries		(2,746)
Note receivable - related party		1,740
Noncurrent assets		6,316
Current liabilities		1,495
Noncurrent liabilities		5,612

		Combined Parent-QVC, Inc. and Subsidiary Guarantors Six months ended June 30, 2023
Net revenue	$	3,520
Net revenue less cost of goods sold		1,446
Income before taxes		348
Net income		361
Net income attributable to QVC, Inc. Stockholder		335

		Combined Parent-QVC, Inc. and Subsidiary Guarantors
		Year ended December 31, 2022
Net revenue	$	8,043
Net revenue less cost of goods sold		3,030
Loss before taxes		(2,018)
Net loss		(1,810)
Net loss attributable to QVC, Inc. Stockholder		(1,867)

Other Debt Related Information

QVC was in compliance with all of its debt covenants as of June 30, 2023.

There are no restrictions under the debt agreements on QVC’s ability to pay dividends or make other restricted payments if QVC is not in default on its senior secured notes or the Fifth Amended and Restated Credit Agreement and (i) with respect to QVC’s senior secured notes, QVC’s consolidated leverage ratio would be no greater than 3.5 to 1.0 and (ii) with respect to the Fifth Amended and Restated Credit Agreement, the consolidated net leverage basket for QVC, QVC Global and CBI, would be no greater than 4.0 to 1.0. As of June 30, 2023, QVC’s consolidated leverage ratio (as calculated under QVC’s senior secured notes) was greater than 3.5 to 1.0 and as a result QVC is restricted in its ability to make dividends or other restricted payments under the senior secured notes. Although QVC will not be able to make unlimited dividends or other restricted payments under the senior secured notes leverage basket, QVC will continue to be permitted to make unlimited dividends under the senior secured notes to parent entities of QVC to service the principal and interest when due in respect of indebtedness of such parent entities (so long as there is no default under the indentures governing QVC’s senior secured notes) and permitted to make certain restricted payments to Qurate Retail under an intercompany tax sharing agreement in respect of certain tax obligations of QVC and its subsidiaries.

QVC’s debt credit ratings were downgraded during the six months ended June 30, 2023 as follows: (i) Fitch Ratings downgraded QVC’s long-term issuer default ratings from “BB-” to “B” and QVC’s senior secured rating from “BB+” to “B+”; (ii) S&P Global downgraded QVC’s senior secured rating from “B+” to “B-”; and (iii) Moody’s downgraded QVC’s senior secured debt ratings from “Ba3” to “B2”.

Additional Cash Flow Information

During the six months ended June 30, 2023, QVC's primary uses of cash were $515 million of principal payments of the senior secured credit facility and finance lease obligations, $396 million of principal repayment of senior secured notes, $300 million of dividends to Qurate Retail, $186 million of capital and television distribution rights expenditures and $24 million in dividend payments from QVC-Japan to Mitsui. These uses of cash were funded primarily with $887 million of principal borrowings from the senior secured credit facility, $200 million in proceeds from sale of fixed assets, $54 million of insurance proceeds for fixed asset loss, and $591 million of cash provided by operating activities. As of June 30, 2023, QVC's cash, cash equivalents and restricted cash balance was $658 million.

During the six months ended June 30, 2022, QVC's primary uses of cash were $876 million of principal payments of the senior secured credit facility and finance lease obligations, $536 million of principal repayment of senior secured notes, $121 million of dividends to Qurate Retail, $96 million of capital and television distribution rights expenditures, and $27 million in dividend payments from QVC-Japan to Mitsui. These uses of cash were funded primarily with $1,223 million of principal borrowings from the senior secured credit facility, $256 million in proceeds from sale of fixed assets, $70 million of insurance proceeds for fixed asset loss, and $44 million of cash provided by operating activities. As of June 30, 2022, QVC's cash, cash equivalents and restricted cash balance was $422 million.

The change in cash provided by operating activities for the six months ended June 30, 2023 compared to the previous year was primarily due to insurance proceeds received for operating expenses and business interruption losses related to the Rocky Mount insurance settlement and changes in working capital. Working capital at any specific point in time is subject to many variables, including seasonality, inventory management, the timing of cash receipts and payments, vendor payment terms and fluctuations in foreign exchange rates.

As of June 30, 2023, $226 million of the $658 million in cash, cash equivalents and restricted cash was held by foreign subsidiaries. Cash in foreign subsidiaries is available for domestic purposes with no significant tax consequences upon repatriation to the U.S. QVC accrues taxes on the unremitted earnings of its international subsidiaries. Approximately 61% of this foreign cash balance was that of QVC-Japan. QVC owns 60% of QVC-Japan and shares all profits and losses with the 40% minority interest holder, Mitsui. We believe that we currently have appropriate legal structures in place to repatriate foreign cash as tax efficiently as possible and meet the business needs of QVC.

Other

QVC's material cash requirements for 2023, outside of normal operating expenses, include the costs to service outstanding debt, expenditures for affiliation agreements with television providers, and capital expenditures. Capital expenditures are expected to be between $200 and $245 million, including $79 million already expended for the six months ended June 30, 2023. The Company also may make dividend payments to Qurate Retail. Refer to the off-balance sheet arrangements and aggregate contractual obligations table below for a summary of other material cash requirements as of June 30, 2023. The Company expects that cash on hand and cash provided by operating activities in future periods and outstanding borrowing capacity will be sufficient to fund projected uses of cash.

The Company may from time to time repurchase any level of its outstanding debt through open market purchases, privately negotiated transactions, redemptions, tender offers or otherwise. Repurchases or retirement of debt, if any, will depend on prevailing market conditions, liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

QVC has contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. Although it is reasonably possible QVC may incur losses upon the conclusion of such matters, an estimate of any loss or range of loss cannot be made. In the opinion of management, it is expected that amounts, if any, that may be required to satisfy such contingencies will not be material in relation to the accompanying condensed consolidated financial statements.

Off-balance Sheet Arrangements and Aggregate Contractual Obligations

Information concerning the amount and timing of cash requirements, both accrued and off-balance sheet, under our contractual obligations as of June 30, 2023 is summarized below:

						Payments due by period
(in millions)	**Remainder of 2023**	**2024**	**2025**	**2026**	**2027**	**Thereafter**	**Total**
Long-term debt (1)	$ —	423	586	1,430	575	1,925	4,939
Interest payments (2)	141	271	248	218	121	2,302	3,301
Finance lease obligations (including imputed interest)	2	1	—	—	—	—	3
Operating lease obligations	$ 43	81	70	63	64	812	1,133

(1) Amounts exclude Finance lease obligations and the issue discounts on the 4.45%, 4.85%, 5.45% and 5.95% Senior Secured Notes.

(2) Amounts (i) are based on the terms of our senior secured notes, (ii) assumes that our existing debt is repaid at maturity and (iii) excludes finance lease obligations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

QVC is exposed to market risk in the normal course of business due to ongoing investing and financial activities and the conduct of operations by subsidiaries in different foreign countries. Market risk refers to the risk of loss arising from adverse changes in stock prices, interest rates and foreign currency exchange rates. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future earnings. QVC has established procedures and internal processes governing the management of market risks and the use of financial instruments to manage exposure to such risks.

Interest rate risk

QVC is exposed to changes in interest rates primarily as a result of borrowing activities. Over the long-term, QVC manages the exposure to interest rates by maintaining what QVC believes is an appropriate mix of fixed and variable rate debt.

The table below summarizes the Company's debt obligations, related interest rates and fair value of debt at June 30, 2023:

(in millions, except percentages)	Remainder of 2023	2024	2025	2026	2027	Thereafter	Total	Fair Value
Fixed rate debt (1)	$ —	423	586	—	575	1,925	3,509	2,235
Weighted average interest rate on fixed rate debt	— %	4.9 %	4.5 %	— %	4.8 %	5.6 %	5.2 %	N/A
Variable rate debt	$ —	—	—	1,430	—	—	1,430	1,430
Average interest rate on variable rate debt	— %	— %	— %	6.6 %	— %	— %	6.6 %	N/A

(1) Amounts exclude finance lease obligations and the issue discounts on the 4.45%, 4.85%, 5.45% and 5.95% Senior Secured Notes.

N/A - Not applicable.

Foreign currency exchange rate risk

QVC is exposed to foreign exchange rate fluctuations related to the monetary assets and liabilities and the financial results of its foreign subsidiaries. Assets and liabilities of foreign subsidiaries for which the functional currency is the local currency are translated into U.S. Dollars at period-end exchange rates, and the statements of operations are translated at the average exchange rate for the period. Exchange rate fluctuations on translating foreign currency financial statements into U.S. Dollars that result in unrealized gains or losses are referred to as translation adjustments. Cumulative translation adjustments are recorded in other comprehensive income as a separate component of stockholder's equity. Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses, which are reflected in income as unrealized (based on period-end transactions) or realized upon settlement of the transactions. Cash flows from operations in foreign countries are translated at the average rate for the period. Accordingly, QVC may experience economic loss and a negative impact on earnings and equity with respect to its holdings solely as a result of foreign currency exchange rate fluctuations. QVC's reported Adjusted OIBDA for the three and six months ended June 30, 2023 would have been impacted by approximately $1 million and $2 million, respectively, for every 1% change in foreign currency exchange rates relative to the U.S. Dollar.

The Fifth Amended and Restated Credit Agreement provides QVC with the ability to borrow in multiple currencies. This allows QVC to somewhat mitigate foreign currency exchange rate risks. As of June 30, 2023, no borrowings in foreign currencies were outstanding.

On October 31, 2022, the Company entered into foreign currency forward contracts with an aggregate notional amount of $167 million to mitigate the foreign currency risk associated with the sale and leaseback of Germany and U.K. properties. The forwards did not qualify as a cash flow hedge under U.S. GAAP. Changes in the fair value of the forwards are reflected in (losses) gains on financial instruments in the consolidated statements of operations. The contracts expired in January 2023 which resulted in a net cash settlement of $12 million.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

In accordance with Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer and its principal accounting and financial officer (the “Executives”), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were not effective as of June 30, 2023 because of the material weakness in its internal control over financial reporting as discussed in the 2022 10-K. Management is monitoring the implementation of the remediation plan described in the 2022 10-K, as described below.

Changes in Internal Control Over Financial Reporting

There was no change in the Company’s internal control over financial reporting that occurred during the Company’s quarter ended June 30, 2023, that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Remediation Plan for Material Weakness in Internal Control over Financial Reporting

In response to the material weakness described in the 2022 10-K, the Company developed a plan with oversight from the audit committee of the board of directors to remediate the material weakness. The remediation activities include:

- Enhancing the ITGC risk assessment process;
- Evaluating talent and addressing identified gaps;
- Delivering training on internal control over financial reporting;
- Improving change management and logical access control activities that contributed to the ITGC material weakness including removing all inappropriate IT system access associated with the ITGC material weakness;
- Implementing user activity monitoring for control activities contributing to the ITGC material weakness; and
- Implementing additional compensating control activities over the completeness and accuracy of data provided by the affected systems.

In addition, considering the divestiture of Zulily by Qurate Retail, the Company is transitioning administration of the inventory management system and associated IT controls impacted by the material weakness described in the 2022 10-K from Zulily to QVC.

The Company believes the foregoing efforts will remediate the material weakness described in the 2022 10-K. Because the reliability of the internal control process requires repeatable execution, the successful on-going remediation of the material weakness will require on-going review and evidence of effectiveness prior to concluding that the controls are effective

Item 5. Other Information

None.

PART II

Item 6. Exhibits

(a) *Exhibits*

Listed below are the exhibits which are filed as a part of this Report (according to the number assigned to them in Item 601 of Regulation S-K):

10.1	SOFR Transition and Other Agreements, dated as of June 20, 2023, among QVC, Inc., QVC Global Corporate Holdings, LLC and Cornerstone Brands, Inc., as Borrowers, and the parties thereto, related to the Fifth Amended and Restated Credit Agreement (incorporated by reference to Exhibit 10.1 to Qurate Retail's Quarterly Report on Form 10-Q (File No. 001-33982) as filed on August 4, 2023).
31.1	Rule 13a-14(a)/15d-14(a) Certification*
31.2	Rule 13a-14(a)/15d-14(a) Certification*
32.1	Section 1350 Certification**
101.INS	Inline XBRL Instance Document* - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document*
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document*
101.LAB	Inline XBRL Taxonomy Label Linkbase Document*
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Definition Document*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)*

*Filed herewith.

**Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

QVC, Inc.

Date: August 4, 2023	By:/s/ DAVID L. RAWLINSON II
	David L. Rawlinson II President and Chief Executive Officer (Principal Executive Officer)
Date: August 4, 2023	By:/s/ BILL WAFFORD
	Bill Wafford Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, David L. Rawlinson II, certify that:

1. I have reviewed this report on Form 10-Q of QVC, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2023

By:/s/ DAVID L. RAWLINSON II

David L. Rawlinson II
President and Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Bill Wafford, certify that:

1. I have reviewed this report on Form 10-Q of QVC, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2023

By:/s/ BILL WAFFORD

Bill Wafford
Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

Certification

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of QVC, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Report on Form 10-Q for the quarter ended June 30, 2023 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 4, 2023	By:/s/ DAVID L. RAWLINSON II
	David L. Rawlinson II
	President and Chief Executive Officer (Principal Executive Officer)
Date: August 4, 2023	By:/s/ BILL WAFFORD
	Bill Wafford
	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.